

Fund changes coming soon

Kentucky Deferred Comp (KDC) provides you a diversified set of investment options that are appropriate for long-term, retirement savings. The KDC Board of Trustees (Board), in conjunction with its Investment Advisor, Callan, conducts a regular review of all investment options. As a result of their most recent review, and in response to recommendations from Callan, the Board approved the following important changes to the Plans' investment options.

On July 21, 2017, the following fund will close and move assets into the new option as follows:

From Fund	To Fund
Vanguard Institutional Target Retirement 2010 Fund - Institutional Shares	Vanguard Institutional Target Retirement Income Fund - Institutional Shares

This change is part of the standard Target Retirement Fund process, and is occurring solely for that reason. The Vanguard 2010 Fund has reached its final asset allocation and will merge into the Vanguard Target Retirement Income Fund on July 21, 2017. On that date, if you have assets in the 2010 Fund and/or are making deferrals into the 2010 Fund, the appropriate changes will automatically occur and can be viewed on your KDC online account (Kentuckydcp.com) or your 3rd quarter statement.

On August 16, 2017, the following funds will close and move assets into new options as follows:

From Fund	To Fund
Federated U.S. Governmental Securities 2-5 Years (Instl)	Fixed Contract Fund 3
Ivy Core Equity Fund	Vanguard Institutional Index Fund (Instl)

These changes are being made for several reasons, including to more accurately align participant assets with the stated category investment objectives, to adjust the current Spectrum of Investment Assets in order to streamline the participant fund review and selection process, and, in the case of the Federated fund noted above, due to lingering performance concerns.

Please note, as a result of the movement of the Ivy Core Equity Fund assets to the Vanguard Institutional Index Fund (Instl), Kentucky Deferred Comp's position in this fund will become eligible for and simultaneously move to the Plus share class of this fund, thereby allowing participants invested in/investing in the fund to realize a reduction in operating expenses from 0.04% to 0.02%.

On August 16, 2017, if you have assets in either or both of the closing funds noted directly and/or are making deferrals into one, or both, of them, the appropriate changes will automatically occur and can be viewed on your KDC online account (Kentuckydcp.com) or your 3rd quarter statement.

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Follow your path to retirement.

Take charge of your future.



June 30 Payroll Reminder

See page 3 for more details



Final 2017 Expo

August 2

Lexington: Lexington Center

430 W Vine Street,

Lexington, KY 40507

10:00 am-3:00 pm E.T.,

859.233.4567

Avoid headline-driven investment decisions

Thanks to 24-hour financial news channels, the Internet and the mobile devices we all seem to have these days, there is so much more news and information about the markets available to us. While you might expect that it would help us get better investment results, the opposite is true for many investors. This is because our emotions can take over and negatively affect our investment decisions. We want to help you understand why this happens and what you can do to make better choices for your portfolio.

Why do these decisions happen?

Media interest in the financial markets rises in times of market stress. Business models are driven by attracting more viewers or subscribers, and for a financial media platform, nothing attracts individual investors more than bad news. All of that noise may push your emotional buttons, leading you to make hasty decisions and buy or sell your investments too quickly.

Individual investors often underperform market indexes. This is often a result of a vicious chain of events. News headlines drive their emotions, which can cause irrational investment decisions, which then may lead to poor performance.

And this is a significant performance reduction.

- Major stock and bond indexes returned between 5% and 8% on average over the last 20 years
- Individual investors earned just half of that over the same time period

ANNUALIZED PERFORMANCE: 1995 - 2014¹

Average Investor

2.5%

Investment-Grade U.S. Corporate Bonds

5.8%

Long-Term U.S. Treasury Bonds

7.0%

S&P 500 Index

8.2%

¹Morningstar; Source for average investor data: Dalbar, Inc. QIAB study, 2015.

Reacting and trying to time the market takes a toll. Individual investors reacting emotionally to news headlines tend to buy and sell investments frequently and at inopportune times.

Movement in and out of the market runs the risk of missing many of the best days – the more good days missed, the more potential gains given up.

What you can do to make better choices for your portfolio

Stay invested. To make the most of market opportunities, it's best to tune out the daily news and stay invested for your long-term goals. Although there will be down days for the stock market and negative headlines that may go along with them, the likelihood of market losses drops dramatically over time.

Balance your portfolio for potential value

You'll be in a better position to reduce the amount of risk you take on and may potentially increase the returns you realize over time if you:

- Avoid the temptation to trade in or out of the market
- Stay invested in a balanced portfolio based on your long-term goals

Maintain your discipline and remember these principles:



Tune out the noise from the financial news media and if you feel like you are taking action in response to news events, seek out professional advice. KDC offers both an Investment Advice and a Managed Account program. Contact your local KDC Retirement Specialist for details.



Stay focused on your plan. Remember, you are investing for the long term.



To help lessen the impact of market fluctuations, **maintain a diversified portfolio** that's suitable for your retirement goals and risk tolerance.



Take advantage of opportunities to invest when others react based on emotion; consider buying when they are selling in falling markets.

(Fund Changes Coming Soon article, continued from page 1)

Please keep in mind:

- No action is required on your part
- You still have full control over the investment options and can make changes to your investment selections at any time.

Our hope is that these changes continue to help our participants build a personalized investment portfolio which is most appropriate to their individual retirement goals. In the coming weeks, if you are invested in and/or investing in one or more of the closing funds be on the lookout for a letter in the mail that will provide additional information on these changes.

If you have any questions regarding the fund changes, or would like more information on the new funds, please contact your local **KDC Retirement Specialist** or the KDC office at **800-542-2667**.



Approaching Retirement. Are you prepared?

Whether you're a few months or a few years away from your retirement date, you may already be thinking about what you should be doing to prepare. Knowing how you want to live in retirement can help you determine:

- How to arrange KDC plan payouts
- Whether your resources will provide enough income
- How to help your retirement account catch up with your dreams

Let us help you understand your options so you can bring your retirement plans to life. Keep in mind that retirement planning is all about preparing for how you want to live in retirement. For example, **your income needs may be affected by:**



Where you live



Leisure activities



Family support

How can you save more with KDC?

- Maximize your 457(b) and 401(k) savings
- Take advantage of catch-up opportunities
- Transfer unused leave time at separation
- Combine outside assets - IRAs, 401(k), 403(b) - with your KDC accounts

For help as you prepare to retire, contact your KDC Retirement Specialist today.

We will also be hosting an educational webinar on this topic on September 6, 2017. Visit www.kentuckydcp.com to register today.



Farewell to Denny Nunnelly!

Denny, congratulations and thank you for your service on the Kentucky Deferred Compensation Board of Trustees!



Participant Testimonials

KDC is always looking for positive feedback from fellow participants. Take a look at what Chad Jackson had to say about us:

March 28, 2017

The Kentucky Deferred Compensation (KDC) is an excellent investment program. Over the past 25 years it has out performed my other financial investment companies. To my knowledge, KDC has the lowest administrative costs in the financial investment industry. All the staff are extremely welcoming, respectful and professional. I heartily recommend KDC to any Kentucky Public Employee seeking "The best bang for the buck!"

Sincerely,
Richard "Chad" Jackson

Special Notice to State Employees

The current budget bill mandated the June 30, 2017 regular payroll for Kentucky State Government employees (except for sheriff's and clerk's offices) could not be issued prior to July 1, 2017. As a result, KDC did not receive deferrals from state employees for the June 30 pay date until July 3rd. Therefore, these deferrals could not be invested until July and must be reflected as third quarter investments on the Participant Statements for the July 1 - September 30, 2017 statement period.

Actions of the Board of Trustees

At its regularly scheduled quarterly meeting on June 16, 2017 the Authority Board of Trustees (Board) took the following actions:

- Approved the minutes of the March 9, 2017 regular meeting, as submitted;
- Approved legal counsel's recommendation to terminate Bullitt County Sanitation's participation with the Authority due to a lack of deferral activity;
- Approved the Investment Consultant's (Callan) recommendations as follows:
 - Remove the Ivy Core Equity Fund from the Authority's Spectrum of Investment Options (Spectrum) and map any of its remaining assets to the Vanguard Institutional Index Fund (Instl) effective August 16, 2017;
 - Remove the Federated U.S. Government Securities Fund 2-5 Years (Instl) from the Authority's Spectrum and map any of its remaining assets to the Stable Value Fund (Fixed Contract Fund 3) effective August 16, 2017;

- Approved legal counsel and staff's recommendation to allow Callan to perform a Fixed Contract Fund Discretionary Manager search. This search is being undertaken due to the upcoming expiration of the existing contract;
- Approved Chairman Mullins' recommendation to form an Executive Director Search Committee to select a replacement for Mr. Robert C. Brown, Executive Director, KY Public Employees' Deferred Compensation Authority, who is retiring July 1, 2017; appointed William C. Biddle Interim Executive Director, effective July 1, 2017; and
- Set the next quarterly meeting date for Friday, September 15, 2017, at 9:00 a.m. at the Authority office, 101 Sea Hero Road, Suite 110, Frankfort, Kentucky

For further information on these items, please call Chris Helvey, Marketing and Communications Branch Manager, at 502.573.9188 or 800.542.2667.

Calendar of events:

Holidays

September 4, 2017
Labor Day
KDC Office and Stock Market Closed

Quarterly Board of Trustees meeting

September 15, 2017

Educational Webinars*

August 9, 2017
September 6, 2017
October 4, 2017
at 12:00 p.m. ET

*For topics and to reserve your spot, visit the KDC Events page at www.kentuckydcp.com

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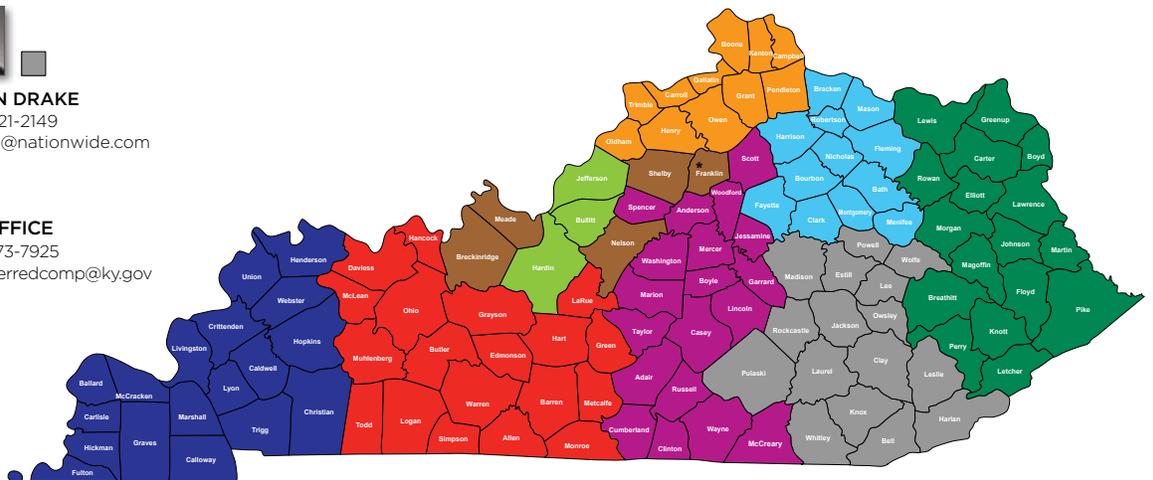
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